



PCBs a concern at bankrupt ESI Environmental plant

Chris O'Malley
November 12, 2010

KEYWORDS

CONTRACTORS, EPA, ENERGY & ENVIRONMENT, ENVIRONMENT, ENVIRONMENTAL CONTRACTORS, WATER QUALITY

Two days before ESI Environmental Inc. filed for Chapter 7 bankruptcy, the northwest-side processor of used oil and other wastes entered into a \$1.5 million settlement agreement with the U.S. Environmental Protection Agency related to problems including illegal discharges into city sewers—and a tank containing 300,000 gallons of “possible PCB-containing sludge” at the company’s plant, according to agency records.

The site at 4910 W. 86th St. is on the southeast corner of the former Rock Island refinery, about a mile west of busy Michigan Road and two miles west of St. Vincent Hospital.

The EPA scrambled to direct cleanup at the site a mere week after ESI’s Oct. 1 bankruptcy filing, saying the company may have left behind not only tanks of polychlorinated biphenyl—a carcinogen—but also other hazardous chemicals such as sulfuric acid, caustics and hydrogen peroxide.

“One of the primary concerns is the potential for chemicals from the site to be released into the city sanitary sewer system or area surrounding the site in the event of a heavy rain or snow melt,” according to an EPA update on the project.

ESI’s bankruptcy trustee, Thomas Krudy, also has had to make clean-up his first priority.

“Clean-up of the toxic PCBs at ESI’s facility may be unduly stalled or delayed, thereby detrimentally impacting the interests of the general public ... an emergency situation exists,” Krudy wrote in a bankruptcy court filing seeking to ensure the cooperation of ESI’s insurers and clear the way for London-based WSP Environmental & Energy to join remediation efforts.

A deal was reached this week before Judge Frank J. Otte to allow the trustee to expediate clean-up. “It should be signed today,” Krudy said Friday.

Founded in 1992, ESI was the region’s second-largest environmental contractor, with revenue of \$16 million in 2009. It had nearly 70 employees.

Its bankruptcy filing listed assets of \$41,466 and liabilities of \$35 million. The largest secured creditor is Minneapolis-based Churchill Capital, which is owed \$16.2 million on a temporary bridge loan to ESI.

ESI specialized in treating non-hazardous wastewater and in oil recovery and recycling, industrial cleaning, lab packing and environmental demolition.

The PCB problems apparently began in July 2007 when a customer of ESI’s discovered a shipment of used oil containing PCBs. ESI received the oil from Bee Environmental, a used-oil broker, according to ESI’s bankruptcy records.

Though ESI believed the contamination at its West 86th Street facility was limited to a holding tank, tests later

showed much of its equipment at the site was contaminated. The company reported the problem to EPA and to the Indiana Department of Environmental Management.

But the PCB contamination may not have been limited to ESI's site.

In early 2009 a tank containing oil, wastewater and other materials held at the site were released into the city's sewer system. Later it bubbled out of sewer manholes and into the yards of several residences.

In February of last year, the U.S. Attorney's Office charged ESI's former operations manager, Michael R. Milem, and ex-laboratory manager Mark R. Snow with violating the federal Clean Water Act. The government alleged the duo directed lower-level employees to pump untreated waste into the city sewer.

The EPA said there also was a March 2007 release of chemicals from the site during a "heavy rain event." Regulators directed that contaminated soil be removed from 25 residential properties and from parts of Coffin and Riverside golf courses.

According to EPA, tanks at the ESI plant recently were sampled for PCBs, thousands of gallons of chemicals have been shipped off-site, and storm sewers are being cleaned.

No PCBs have been discovered outside a 1-million gallon tank holding 300,000 gallons of sludge suspected of containing the toxic material, the EPA said.

Krudy said city officials have talked about finding a new use for the site, possibly by another waste processor, noting the loss of about 70 jobs due to ESI's closure. A similar reuse might attract a firm willing to help in the clean-up effort.

As for the status of the bankruptcy, Krudy has yet to conduct his first meeting of creditors, given the clean-up priority. The EPA estimates remediation costs will top \$311,000.